

HIGHLAND COMMUNITY UNIT
SCHOOL DISTRICT NO. 5

FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION

FOR THE YEAR ENDED
JUNE 30, 2018

HIGHLAND COMMUNITY UNIT SCHOOL DISTRICT NO. 5

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INDEPENDENT AUDITOR'S REPORT

To the President and Board of Education
Highland Community Unit School District No. 5
Highland, Illinois

We have audited the accompanying financial statements of the Highland Community Unit School District No. 5 ("District") as of and for the year ended June 30, 2018, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the financial reporting provisions of the Illinois State Board of Education as described in Note 1. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to error or fraud.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 1, the financial statements are prepared by the District on the basis of the financial reporting provisions of the Illinois State Board of Education, which is a basis of accounting other than accounting principles generally accepted in the United States of America, to comply with the requirements of the Illinois State Board of Education.

The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1 and the accounting principles generally accepted in the United States of America, although not reasonably determined, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the "Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles" paragraph, the financial statements referred to in the first paragraph do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the District as of June 30, 2018, the changes in its financial position, or, where applicable, its cash flows for the year then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of the District as of June 30, 2018, and the respective change in its financial position, on the basis of the financial reporting provisions of the Illinois State Board of Education, on the modified accrual basis, as described in Note 1.

Other Matters

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Highland Community Unit School District No. 5's basic financial statements. The schedules listed as supplementary information in the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements of Highland Community Unit School District No. 5. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by *Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the financial statements of the District.

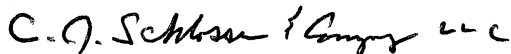
Such information, except for the Schedule of Per Capita Tuition Charge and Average Daily Attendance (Unaudited), is the responsibility of management and has been derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements taken as a whole.

Schedule of Federal Awards Comparative Information

The June 30, 2017 comparative information shown in the Schedule of Expenditures of Federal Awards was subjected to auditing procedures applied by us and our report dated October 6, 2017, expressed an unmodified opinion that such information was fairly stated in all material respects in relation to the June 30, 2017 financial statements taken as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 25, 2018 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



Certified Public Accountants

Alton, Illinois

September 25, 2018

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED
ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS**

To the President and Board of Education of
Highland Community Unit School District No. 5
Highland, Illinois

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Highland Community Unit School District No. 5 ("District") as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated September 25, 2018. Our opinion was adverse because financial statements were not prepared in accordance with generally accepted accounting principles. However, the financial statements were found to be fairly stated on the modified accrual basis of accounting, in accordance with regulatory reporting requirements established by the Illinois State Board of Education, which is a comprehensive basis of accounting other than generally accepted accounting principles.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did

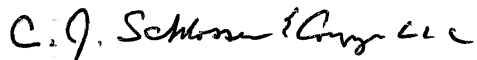
not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Certified Public Accountants
Alton, IL
September 25, 2018

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH
MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

To the President and Board of Education
Highland Community Unit School District No. 5
Highland, Illinois

Report on Compliance for Each Major Federal Program

We have audited the Highland Community Unit School District No. 5's ("District") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2018. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the District's compliance.

Opinion on Each Major Federal Program

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal program for the year ended June 30, 2018.

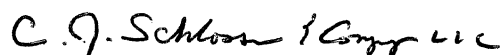
Report on Internal Control Over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of District's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance what we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

 C. J. Schloer & Company, LLC

Certified Public Accountants
Alton, IL

September 25, 2018

HIGHLAND COMMUNITY UNIT SCHOOL DISTRICT NO. 5

STATEMENT OF ASSETS AND
LIABILITIES ARISING FROM MODIFIED ACCRUAL TRANSACTIONS
STATEMENT OF POSITION AS OF JUNE 30, 2018

											Account Groups	
	Educational	Operations & Maintenance	Debt Services	Transportation	IMRF/ Social Security	Capital Projects	Working Cash	Tort	Fire Prevention & Safety	Agency	General Fixed Assets	General Long-Term Debt
<u>Assets</u>												
Cash and Investments	\$ 2,650,515	\$ 1,028,358	\$ 366,503	\$ 219,437	\$ 1,235,269	\$ 1,363,058	\$ 5,304,334	\$ 1,442,571	\$ 368,534	\$ 550,305	\$ -	\$ -
Property Taxes Receivable	8,710,559	1,784,951	3,744,379	713,979	974,583	-	178,496	1,040,268	178,496	-	-	-
Intergovernmental Receivables	585,634	7,364	-	286,474	-	-	-	-	-	19,902	-	-
Prepaid Items	-	-	-	-	-	-	-	-	-	-	-	-
General Fixed Assets	-	-	-	-	-	-	-	-	-	-	60,708,548	-
Amount Available in Debt Service Funds	-	-	-	-	-	-	-	-	-	-	-	167,348
Amount to be Provided for Payment of Bonds	-	-	-	-	-	-	-	-	-	-	-	24,231,869
Total Assets	<u>\$ 11,946,708</u>	<u>\$ 2,820,673</u>	<u>\$ 4,110,882</u>	<u>\$ 1,219,890</u>	<u>\$ 2,209,852</u>	<u>\$ 1,363,058</u>	<u>\$ 5,482,830</u>	<u>\$ 2,482,839</u>	<u>\$ 547,030</u>	<u>\$ 570,207</u>	<u>\$ 60,708,548</u>	<u>\$ 24,399,217</u>
<u>Liabilities and Fund Equity</u>												
Liabilities:												
Accounts Payable	\$ 377,625	\$ 80,426	\$ -	\$ 18,458	\$ -	\$ 327,087	\$ -	\$ 52,516	\$ -	\$ -	\$ -	\$ -
Accrued Salaries and Benefits	2,186,442	(1,934)	-	75	91,584	-	-	141,886	-	-	-	-
Taxes Received in Advance	9,172,783	1,879,669	3,943,534	751,867	1,026,300	-	187,968	1,095,470	187,968	-	-	-
Due to Activity Fund Organizations	-	-	-	-	-	-	-	-	-	570,207	-	-
Bonds Payable	-	-	-	-	-	-	-	-	-	-	-	24,399,217
Total Liabilities	<u>11,736,850</u>	<u>1,958,161</u>	<u>3,943,534</u>	<u>770,400</u>	<u>1,117,884</u>	<u>327,087</u>	<u>187,968</u>	<u>1,289,872</u>	<u>187,968</u>	<u>570,207</u>	<u>-</u>	<u>24,399,217</u>
Fund Equity:												
Investment in General Fixed Assets	-	-	-	-	-	-	-	-	-	-	60,708,548	-
Fund Balance:												
Reserved	-	-	-	-	517,495	-	-	-	-	-	-	-
Unreserved	209,858	862,512	167,348	449,490	574,473	1,035,971	5,294,862	1,192,967	359,062	-	-	-
Total Fund Balance (Deficit)	<u>209,858</u>	<u>862,512</u>	<u>167,348</u>	<u>449,490</u>	<u>1,091,968</u>	<u>1,035,971</u>	<u>5,294,862</u>	<u>1,192,967</u>	<u>359,062</u>	<u>-</u>	<u>60,708,548</u>	<u>-</u>
Total Liabilities and Fund Equity	<u>\$ 11,946,708</u>	<u>\$ 2,820,673</u>	<u>\$ 4,110,882</u>	<u>\$ 1,219,890</u>	<u>\$ 2,209,852</u>	<u>\$ 1,363,058</u>	<u>\$ 5,482,830</u>	<u>\$ 2,482,839</u>	<u>\$ 547,030</u>	<u>\$ 570,207</u>	<u>\$ 60,708,548</u>	<u>\$ 24,399,217</u>

HIGHLAND COMMUNITY UNIT SCHOOL DISTRICT NO. 5

STATEMENT OF REVENUES, EXPENDITURES,
OTHER FINANCING SOURCES (USES) AND CHANGES IN FUND BALANCE
ALL FUNDS
FOR THE YEAR ENDED JUNE 30, 2018

	Educational	Operations & Maintenance	Debt Services	Transportation	IMRF/ Social Security	Capital Projects	Working Cash	Tort	Fire Prevention & Safety
Revenues:									
Local Sources	\$ 10,470,812	\$ 2,529,446	\$ 3,946,076	\$ 767,047	\$ 1,130,675	\$ 64,575	\$ 240,624	\$ 1,111,193	\$ 189,429
State Sources	8,031,501	-	-	1,158,275	-	-	-	-	-
Federal Sources	1,805,008	-	-	-	-	-	-	-	-
Total Direct Revenues	20,307,321	2,529,446	3,946,076	1,925,322	1,130,675	64,575	240,624	1,111,193	189,429
Revenues for On-Behalf Payments	9,895,167	-	-	-	-	-	-	-	-
Total Revenues	30,202,488	2,529,446	3,946,076	1,925,322	1,130,675	64,575	240,624	1,111,193	189,429
Expenditures:									
Instruction	15,356,039	-	-	-	364,035	-	-	-	-
Support Services	4,810,995	2,417,265	-	1,916,512	613,101	2,229,623	-	1,031,911	3,888
Community Services	65,034	-	-	-	7,600	-	-	-	-
Nonprogrammed Charges	45,421	30,000	-	-	-	-	-	-	-
Debt Service	-	-	4,024,725	-	-	56,839	63,170	-	-
Total Direct Expenditures	20,277,489	2,447,265	4,024,725	1,916,512	984,736	2,286,462	63,170	1,031,911	3,888
Expenditures for On-Behalf Payments	9,895,167	-	-	-	-	-	-	-	-
Total Expenditures	30,172,656	2,447,265	4,024,725	1,916,512	984,736	2,286,462	63,170	1,031,911	3,888
Excess of Revenues Over (Under) Expenditures	29,832	82,181	(78,649)	8,810	145,939	(2,221,887)	177,454	79,282	185,541
Other Financing Sources (Uses):									
Transfer from (to) Other Funds	1,828	44,359	(1,828)	-	-	(44,359)	-	-	-
Proceeds From Debt	-	-	88,463	-	-	2,427,975	2,957,779	-	-
Premium on Bonds Sold	-	-	3,797	-	-	237,024	104,896	-	-
Total Other Financing Sources (Uses)	1,828	44,359	90,432	-	-	2,620,640	3,062,675	-	-
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	31,660	126,540	11,783	8,810	145,939	398,753	3,240,129	79,282	185,541
Fund Balance, Beginning of Year	178,198	735,972	155,565	440,680	946,029	637,218	2,054,733	1,113,685	173,521
Fund Balance, End of Year	\$ 209,858	\$ 862,512	\$ 167,348	\$ 449,490	\$ 1,091,968	\$ 1,035,971	\$ 5,294,862	\$ 1,192,967	\$ 359,062

HIGHLAND COMMUNITY UNIT SCHOOL DISTRICT NO. 5

STATEMENT OF REVENUES
FOR THE YEAR ENDED JUNE 30, 2018

	Educational	Operations & Maintenance	Debt Services	Transportation	IMRF/ Social Security	Capital Projects	Working Cash	Tort	Fire Prevention & Safety
Revenues:									
Local Sources:									
Property Taxes:									
General Levy	\$ 8,710,184	\$ 1,853,235	\$ 3,929,946	\$ 741,290	\$ 587,464	\$ -	\$ 185,318	\$ 1,099,334	\$ 185,318
Leasing Levy	185,318	-	-	-	-	-	-	-	-
Special Education Levy	148,262	-	-	-	-	-	-	-	-
Social Security/Medicare Only Levy	-	-	-	-	441,804	-	-	-	-
Total Property Taxes	9,043,764	1,853,235	3,929,946	741,290	1,029,268	-	185,318	1,099,334	185,318
Payments in Lieu of Taxes:									
Mobile Home Privilege Tax	6,244	-	-	-	-	-	-	-	-
Corporate Personal Property Replacement Taxes	-	398,931	-	-	83,945	-	-	-	-
Total Payments in Lieu of Taxes	6,244	398,931	-	-	83,945	-	-	-	-
Transportation Fees	-	-	-	22,288	-	-	-	-	-
Earnings on Investments	47,910	12,122	16,130	3,469	16,132	20,216	55,306	11,859	4,111
Food Services	734,371	-	-	-	-	-	-	-	-
Pupil Activities	224,132	28,332	-	-	-	-	-	-	-
Textbooks	211,663	-	-	-	-	-	-	-	-
Other:									
Rentals	54,997	180,073	-	-	-	-	-	-	-
Contributions and Donations from Private Sources	19,323	-	-	-	-	-	-	-	-
Refund of Prior Years' Expenditures	3,500	-	-	-	-	-	-	-	-
TIF Revenue	-	43,324	-	-	-	-	-	-	-
Drivers' Education Fees	38,625	-	-	-	-	-	-	-	-
School Facility Occupation Tax Proceeds	-	-	-	-	-	44,359	-	-	-
Other	86,283	13,429	-	-	1,330	-	-	-	-
Total Other	202,728	236,826	-	-	1,330	44,359	-	-	-
Total Revenues from Local Sources	10,470,812	2,529,446	3,946,076	767,047	1,130,675	64,575	240,624	1,111,193	189,429
State Sources:									
Unrestricted Grants-in-Aid:									
General State Aid	7,190,491	-	-	-	-	-	-	-	-
Total Unrestricted Grants-in-Aid	7,190,491	-	-	-	-	-	-	-	-
Restricted Grants-in-Aid:									
Special Education - Private Facility Tuition	293,561	-	-	-	-	-	-	-	-
Special Education - Orphanage	120,785	-	-	18,256	-	-	-	-	-
Vocational Education	170,028	-	-	-	-	-	-	-	-
State Free Lunch and Breakfast	4,112	-	-	-	-	-	-	-	-
Driver Education	47,658	-	-	-	-	-	-	-	-
Transportation - Regular/Vocational	-	-	-	522,885	-	-	-	-	-
Transportation - Special Education	-	-	-	617,134	-	-	-	-	-

See Notes to Financial Statements

HIGHLAND COMMUNITY UNIT SCHOOL DISTRICT NO. 5

STATEMENT OF REVENUES
FOR THE YEAR ENDED JUNE 30, 2018

	Educational	Operations & Maintenance	Debt Services	Transportation	IMRF/ Social Security	Capital Projects	Working Cash	Tort	Fire Prevention & Safety
Revenues:									
State Sources (continued):									
Restricted Grants-in-Aid (continued):									
Early Childhood - Block Grant	202,796	-	-	-	-	-	-	-	-
Other State	2,070	-	-	-	-	-	-	-	-
Total Restricted Grants-in-Aid	841,010	-	-	1,158,275	-	-	-	-	-
Total Revenues from State Sources	8,031,501	-	-	1,158,275	-	-	-	-	-
Federal Sources:									
Restricted Grants-in-Aid Received From									
Federal Government Through the State:									
Food Services	452,091	-	-	-	-	-	-	-	-
Title I - All	300,900	-	-	-	-	-	-	-	-
Federal Special Education	731,686	-	-	-	-	-	-	-	-
Vocational Education	19,590	-	-	-	-	-	-	-	-
Title II - Teacher Quality	59,365	-	-	-	-	-	-	-	-
Medicaid Matching Funds - Administrative Outreach	45,900	-	-	-	-	-	-	-	-
Medicaid Matching Funds - Fee-For-Service Program	148,047	-	-	-	-	-	-	-	-
Other Restricted Revenue from Federal Sources	47,429	-	-	-	-	-	-	-	-
Total Restricted Grants-in-Aid Received from Federal Government through the State	1,805,008	-	-	-	-	-	-	-	-
Total Revenues	\$ 20,307,321	\$ 2,529,446	\$ 3,946,076	\$ 1,925,322	\$ 1,130,675	\$ 64,575	\$ 240,624	\$ 1,111,193	\$ 189,429

HIGHLAND COMMUNITY UNIT SCHOOL DISTRICT NO. 5

**STATEMENT OF EXPENDITURES, BUDGET TO ACTUAL
FOR THE YEAR ENDED JUNE 30, 2018**

	Salaries	Employee Benefits	Purchased Services	Supplies and Materials	Capital Outlay	Other Objects	Total	Budget
<u>Educational Fund:</u>								
Instruction:								
Regular Programs	\$ 7,655,707	\$ 997,212	\$ 112,392	\$ 364,228	\$ 486,956	\$ 6,710	\$ 9,623,205	\$ 9,728,927
Pre-K Programs	103,815	1,330	7,618	4,762	-	-	117,525	130,806
Special Education Programs	2,910,911	415,201	59,611	20,558	8,743	-	3,415,024	3,395,980
Remedial and Supplemental Programs K-12	191,864	40,078	1,793	6,868	50,541	-	291,144	227,950
CTE Programs	555,667	63,887	6,794	91,022	65,442	-	782,812	711,591
Interscholastic Programs	259,856	10,928	51,717	40,835	3,175	-	366,511	348,945
Summer School Programs	9,050	87	-	-	-	-	9,137	12,125
Drivers' Education Program	49,661	3,008	8,935	6,783	-	-	68,387	75,548
Regular K-12 Programs - Private Tuition	-	-	-	-	-	1,150	1,150	-
Special Education Programs K-12 - Private Tuition	-	-	-	-	-	681,144	681,144	682,000
Total Instruction	<u>11,736,531</u>	<u>1,531,731</u>	<u>248,860</u>	<u>535,056</u>	<u>614,857</u>	<u>689,004</u>	<u>15,356,039</u>	<u>15,313,872</u>
Support Services:								
Pupils:								
Attendance & Social Work Services	287,294	21,186	-	-	-	-	308,480	308,497
Guidance Services	152,414	10,793	-	-	-	-	163,207	163,235
Health Services	156,146	23,505	71,060	3,186	-	-	253,897	263,360
Psychological Services	238,341	30,683	388	-	-	-	269,412	283,515
Other	-	-	-	4,224	-	-	4,224	3,750
Total Support Services - Pupils	<u>834,195</u>	<u>86,167</u>	<u>71,448</u>	<u>7,410</u>	<u>-</u>	<u>-</u>	<u>999,220</u>	<u>1,022,357</u>
Instructional Staff:								
Improvement of Instruction Services	184,528	28,697	36,086	3,922	2,100	-	255,333	278,819
Educational Media Services	124,411	35,325	4,435	12,648	-	-	176,819	179,819
Assessment and Testing	-	-	-	52,264	-	-	52,264	66,200
Total Support Services - Instructional Staff	<u>308,939</u>	<u>64,022</u>	<u>40,521</u>	<u>68,834</u>	<u>2,100</u>	<u>-</u>	<u>484,416</u>	<u>524,838</u>
General Administration:								
Board of Education Services	-	-	36,595	3,787	-	19,507	59,889	88,225
Executive Administration Services	190,802	34,159	6,961	555	940	2,597	236,014	236,127
Special Area Administration Services	106,229	23,913	117	224	-	360	130,843	128,750
Total Support Services - General Administration	<u>297,031</u>	<u>58,072</u>	<u>43,673</u>	<u>4,566</u>	<u>940</u>	<u>22,464</u>	<u>426,746</u>	<u>453,102</u>

HIGHLAND COMMUNITY UNIT SCHOOL DISTRICT NO. 5

**STATEMENT OF EXPENDITURES, BUDGET TO ACTUAL
FOR THE YEAR ENDED JUNE 30, 2018**

	Salaries	Employee Benefits	Purchased Services	Supplies and Materials	Capital Outlay	Other Objects	Total	Budget
<u>Educational Fund (continued):</u>								
School Administration:								
Office of the Principal Services	987,111	211,310	15,812	637	1,161	3,465	1,219,496	1,243,978
Total Support Services - School Administration	987,111	211,310	15,812	637	1,161	3,465	1,219,496	1,243,978
Business:								
Direction of Business Support Services	173,492	10,197	2,897	442	939	950	188,917	180,497
Fiscal Services	59,927	1,882	22,573	1,877	-	-	86,259	121,196
Operation and Maintenance of Plant Services	-	-	343	-	53,816	-	54,159	40,683
Food Services	52,060	9,150	842,987	22,847	4,487	-	931,531	985,607
Total Support Services - Business	285,479	21,229	868,800	25,166	59,242	950	1,260,866	1,327,983
Central								
Data Processing Services	239,154	42,279	36,647	25,137	77,034	-	420,251	358,795
Total Support Services - Central	239,154	42,279	36,647	25,137	77,034	-	420,251	358,795
Total Support Services	2,951,909	483,079	1,076,901	131,750	140,477	26,879	4,810,995	4,931,053
Community Services	45,779	-	17,443	1,812	-	-	65,034	60,901
Nonprogrammed Charges:								
Payments to Other Districts & Govt Units								
Payments for Regular Programs	-	-	2,908	-	-	-	2,908	3,438
Payments for Special Education Programs	-	-	22,294	-	-	-	22,294	-
Payments for Regular Programs - Tuition	-	-	-	-	-	8,808	8,808	10,500
Payments for Special Education Programs - Tuition	-	-	-	-	-	11,411	11,411	23,000
Total Nonprogrammed Charges	-	-	25,202	-	-	20,219	45,421	36,938
Total Expenditures	\$ 14,734,219	\$ 2,014,810	\$ 1,368,406	\$ 668,618	\$ 755,334	\$ 736,102	\$ 20,277,489	\$ 20,342,764
<u>Operations and Maintenance Fund:</u>								
Support Services:								
Business:								
Facilities Acquisition and Construction Services	\$ -	\$ -	\$ -	\$ -	\$ 212,976	\$ -	\$ 212,976	\$ 199,000
Operation and Maintenance of Plant Services	1,110,010	137,312	255,520	646,958	54,489	-	2,204,289	2,304,286
Total Support Services	1,110,010	137,312	255,520	646,958	267,465	-	2,417,265	2,503,286
Nonprogrammed Charges:								
Payments to Other Districts & Govt Units								
Other Payments to In-State Govt. Units	-	-	-	-	-	30,000	30,000	30,000
Total Nonprogrammed Charges	-	-	-	-	-	30,000	30,000	30,000
Total Expenditures	\$ 1,110,010	\$ 137,312	\$ 255,520	\$ 646,958	\$ 267,465	\$ 30,000	\$ 2,447,265	\$ 2,533,286

See Notes to Financial Statements

HIGHLAND COMMUNITY UNIT SCHOOL DISTRICT NO. 5

**STATEMENT OF EXPENDITURES, BUDGET TO ACTUAL
FOR THE YEAR ENDED JUNE 30, 2018**

	Salaries	Employee Benefits	Purchased Services	Supplies and Materials	Capital Outlay	Other Objects	Total	Budget
<u>Bond and Interest Fund:</u>								
Debt Services:								
Interest on Bonds	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 949,725	\$ 949,725	\$ 949,725
Bond Principal Retired	-	-	-	-	-	3,075,000	3,075,000	3,075,000
Total Debt Services	-	-	-	-	-	4,024,725	4,024,725	4,024,725
Total Expenditures	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,024,725	\$ 4,024,725	\$ 4,024,725
<u>Transportation Fund:</u>								
Support Services:								
Business:								
Pupil Transportation Services	\$ 85,418	\$ 2,612	\$ 1,828,415	\$ 67	\$ -	\$ -	\$ 1,916,512	\$ 2,024,512
Total Support Services	85,418	2,612	1,828,415	67	-	-	1,916,512	2,024,512
Total Expenditures	\$ 85,418	\$ 2,612	\$ 1,828,415	\$ 67	\$ -	\$ -	\$ 1,916,512	\$ 2,024,512
<u>Municipal Retirement/Social Security Fund:</u>								
Instruction:								
Regular Programs	\$ -	\$ 134,730	\$ -	\$ -	\$ -	\$ -	\$ 134,730	\$ 118,459
Pre-K Programs	-	7,746	-	-	-	-	7,746	6,395
Special Education Programs	-	197,457	-	-	-	-	197,457	173,556
Remedial and Supplemental Programs	-	5,577	-	-	-	-	5,577	3,588
CTE Programs	-	8,734	-	-	-	-	8,734	7,375
Interscholastic Programs	-	8,325	-	-	-	-	8,325	8,521
Summer School	-	738	-	-	-	-	738	1,027
Drivers' Education Programs	-	728	-	-	-	-	728	836
Total Instruction	-	364,035	-	-	-	-	364,035	319,757
Support Services:								
Pupils:								
Attendance & Social Work Services	-	4,565	-	-	-	-	4,565	4,002
Guidance Services	-	2,487	-	-	-	-	2,487	2,352
Health Services	-	8,783	-	-	-	-	8,783	3,271
Psychological Services	-	3,581	-	-	-	-	3,581	3,360
Total Support Services - Pupils	-	19,416	-	-	-	-	19,416	12,985

HIGHLAND COMMUNITY UNIT SCHOOL DISTRICT NO. 5

STATEMENT OF EXPENDITURES, BUDGET TO ACTUAL
FOR THE YEAR ENDED JUNE 30, 2018

	Salaries	Employee Benefits	Purchased Services	Supplies and Materials	Capital Outlay	Other Objects	Total	Budget
<u>Municipal Retirement/Social</u>								
<u>Security Fund (continued):</u>								
Instructional Staff:								
Improvement of Instruction Services	-	22,158	-	-	-	-	22,158	22,787
Educational Media Services	-	13,598	-	-	-	-	13,598	13,812
Total Support Services - Instructional Staff	-	35,756	-	-	-	-	35,756	36,599
General Administration:								
Executive Administration Services	-	12,746	-	-	-	-	12,746	12,994
Special Area Administration Services	-	10,260	-	-	-	-	10,260	10,474
Tort Immunity Services	-	20,135	-	-	-	-	20,135	16,923
Total Support Services - General Administration	-	43,141	-	-	-	-	43,141	40,391
School Administration:								
Office of the Principal Services	-	123,794	-	-	-	-	123,794	125,939
Total Support Services - School Administration	-	123,794	-	-	-	-	123,794	125,939
Business:								
Direction of Business Support Services	-	36,083	-	-	-	-	36,083	36,899
Fiscal Services	-	40,436	-	-	-	-	40,436	47,916
Operation and Maintenance of Plant Services	-	254,139	-	-	-	-	254,139	274,928
Pupil Transportation Services	-	18,048	-	-	-	-	18,048	19,852
Food Services	-	10,696	-	-	-	-	10,696	11,912
Total Support Services - Business	-	359,402	-	-	-	-	359,402	391,507
Central:								
Data Processing Services	-	31,592	-	-	-	-	31,592	34,934
Total Support Services - Central	-	31,592	-	-	-	-	31,592	34,934
Total Support Services	-	613,101	-	-	-	-	613,101	642,355
Community Services	-	7,600	-	-	-	-	7,600	5,202
Provision for Contingencies	-	-	-	-	-	-	-	110,000
Total Expenditures	\$ -	\$ 984,736	\$ -	\$ -	\$ -	\$ -	\$ 984,736	\$ 1,077,314

See Notes to Financial Statements

HIGHLAND COMMUNITY UNIT SCHOOL DISTRICT NO. 5

STATEMENT OF EXPENDITURES, BUDGET TO ACTUAL
FOR THE YEAR ENDED JUNE 30, 2018

	Salaries	Employee Benefits	Purchased Services	Supplies and Materials	Capital Outlay	Other Objects	Total	Budget
<u>Capital Projects Fund</u>								
Support Services:								
Business:								
Facilities Acquisition and Construction Services	\$ -	\$ -	\$ -	\$ -	\$ 2,229,623	\$ -	\$ 2,229,623	\$ 2,500,000
Total Support Services	-	-	-	-	2,229,623	-	2,229,623	2,500,000
Total Expenditures	\$ -	\$ -	\$ -	\$ -	\$ 2,229,623	\$ -	\$ 2,229,623	\$ 2,500,000
<u>Tort Fund:</u>								
Support Services:								
General Administration:								
Workers' Compensation	\$ -	\$ -	\$ 138,617	\$ -	\$ -	\$ -	\$ 138,617	\$ 137,800
Unemployment Insurance	-	-	-	-	-	-	-	5,000
Insurance Payments	-	-	71,724	-	-	-	71,724	65,800
Judgment and Settlements	-	-	-	-	-	158,661	158,661	200,000
Educational, Inspectional, Supervisory Services Related to Loss Prevention or Reduction	393,700	64,331	46,454	-	-	-	504,485	485,050
Legal	-	-	3,721	-	-	-	3,721	30,000
Property Insurance	-	-	144,700	-	-	-	144,700	140,400
Vehicle Insurance	-	-	10,003	-	-	-	10,003	9,600
Total Support Services - General Administration	393,700	64,331	415,219	-	-	158,661	1,031,911	1,073,650
Total Support Services	393,700	64,331	415,219	-	-	158,661	1,031,911	1,073,650
Provision for Contingencies	-	-	-	-	-	-	-	100,000
Total Expenditures	\$ 393,700	\$ 64,331	\$ 415,219	\$ -	\$ -	\$ 158,661	\$ 1,031,911	\$ 1,173,650
<u>Fire Prevention and Safety Fund:</u>								
Support Services:								
Business:								
Facilities Acquisition and Construction Services	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 175,000
Operation & Maintenance of Plant Services	-	-	3,888	-	-	-	3,888	1,000
Total Support Services - Business	-	-	3,888	-	-	-	3,888	176,000
Total Support Services	-	-	3,888	-	-	-	3,888	176,000
Total Expenditures	\$ -	\$ -	\$ 3,888	\$ -	\$ -	\$ -	\$ 3,888	\$ 176,000

See Notes to Financial Statements

HIGHLAND COMMUNITY UNIT SCHOOL DISTRICT NO. 5

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Highland Community Unit School District No. 5 have been prepared using the regulatory basis of accounting as allowed by state statute. The more significant of the District's accounting policies are described below.

(a) Financial Reporting Entity

The District's financial statements include the accounts of all District operations. The criteria for including organizations as component units within the District's reporting entity, as set forth in Section 2100 of GASB's Codification of Governmental Accounting and Financial Reporting Standards, include whether:

- the organization is legally separate (can sue and be sued in their own name)
- the District holds the corporate powers of the organization
- the District appoints a voting majority of the organization's board
- the District is able to impose its will on the organization
- the organization has the potential to impose a financial benefit/burden on the District
- there is fiscal dependency by the organization on the District

The District participates in a joint venture for vocational reimbursements. This joint agreement is the Madison County Career and Technical Education System. The District has a voting member on the Board of the joint agreement. The District has no other financial interest in the joint agreement. The joint agreement is separately audited and is not included in these financial statements. The financial statements for the joint agreement can be obtained from the joint agreement.

(b) Basis of Presentation – Fund Accounting

The accounts of the District are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets and liabilities, fund balance, revenues and expenditures. The District maintains individual funds as required by the State of Illinois. The various funds are summarized by type in the financial statements. These funds are grouped as required for reports filed with the Illinois State Board of Education. District resources are allocated to and accounted for in individual funds based upon the

HIGHLAND COMMUNITY UNIT SCHOOL DISTRICT NO. 5
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

purposes for which they are to be spent and the means by which spending activities are controlled. The District uses the following fund types and account groups:

Governmental Fund Types

Governmental funds are those through which most governmental functions of the District are financed. The acquisition, use and balances of the District's expendable financial resources and the related liabilities are accounted for through governmental funds.

The Educational Fund and the Operations and Maintenance Fund are the general operating funds of the District. They are used to account for all financial resources except those required to be accounted for in another fund.

Special Revenue Funds, which include the Transportation Fund, the Municipal Retirement/Social Security Fund, the Tort Fund, and the Fire Prevention and Safety Fund, are used to account for cash received from specific sources (other than those accounted for in the Debt Services Fund or Fiduciary Funds) that is legally restricted to cash disbursements for specified purposes.

The Debt Services Fund accounts for the accumulation of resources for, and payment of, general long-term debt principal, interest and related costs.

Fiduciary Fund Types

Fiduciary funds are used to account for assets held by the District in a trustee capacity or as an agent for individuals, private organizations, other governments or other funds.

The Agency Fund (Activity Fund) includes both Student Activity Funds and Convenience Accounts. They account for assets held by the District as an agent for the students and teachers. These funds are custodial in nature and do not involve the measurement of the results of operations. The amounts due to the activity fund organizations are equal to the assets.

General Fixed Assets and General Long-Term Debt Account Groups

The accounting and reporting treatment applied to the fixed assets and long-term liabilities associated with a fund are determined by its measurement focus. Fixed assets used in governmental fund type operations are accounted for in the General Fixed Assets Account Group, rather than in governmental funds. Long-term liabilities expected to be

HIGHLAND COMMUNITY UNIT SCHOOL DISTRICT NO. 5
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

financed from governmental funds are accounted for in the General Long-Term Debt Account Group, not in the governmental funds.

The two account groups are not “funds”. They are concerned only with the measurement of financial position. They are not involved with measurement of results of operations.

(c) Basis of Accounting/Measurement Focus

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and how they are reported on the financial statements. The District maintains its accounting records for all funds and account groups on the modified accrual basis of accounting under guidelines prescribed by the Illinois State Board of Education. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period.

The financial statements of all governmental funds focus on the measurement of spending or “financial flow” and the determination of changes in financial position, rather than upon net income determination. This means that only current assets and current liabilities are generally included on their balance sheets. Their reported fund balance (net current assets) is considered a measure of “available spendable resources”. Governmental fund operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Accordingly, they are said to present a summary of sources and uses of “available spendable resources” during a period.

Proceeds from debt issuance are included as other financing sources in the appropriate fund on the date received. Related debt principal payable in the future is recorded at the same time in the General Long-Term Debt Account Group.

(d) Budgets and Budgetary Accounting

The budget for all governmental fund types is prepared on the modified accrual basis of accounting. This is an acceptable method in accordance with Chapter 105, Act 5, Article 17.1 of the Illinois Compiled Statutes. The budget was passed on September 25, 2017. The budget was amended June 25, 2018.

For each fund, total fund expenditures disbursed may not legally exceed the budgeted amounts. The budget lapses at the end of each fiscal year.

HIGHLAND COMMUNITY UNIT SCHOOL DISTRICT NO. 5
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

The District follows these procedures in establishing the budgetary data reflected in the financial statements.

1. Prior to July 1, the Superintendent submits to the Board of Education a proposed operating budget for the fiscal year commencing on that date. The operating budget includes proposed expenditures disbursed and the means of financing them.
2. A public hearing is conducted to obtain taxpayer comments.
3. Prior to October 1, the budget is legally adopted through passage of a resolution.
4. Formal budgetary integration is employed as a management control device during the year.
5. The Board of Education may make transfers between the various items in any fund not exceeding in the aggregate 10% of the total for such fund as set forth in the budget.
6. The Board of Education may amend the budget (in other ways) by the same procedures required of its original adoption. The budget was amended June 25, 2018.

(e) Investments

Investments are stated at fair value, which equals cost. Gains or losses on the sale of investments are recognized upon realization. The institutions in which investments are made must be approved by the Board of Education. The District pools the individual fund's cash balances in an interest bearing NOW account.

(f) General Fixed Assets

General fixed assets are acquired for general governmental purposes. At the time of purchase, assets are recorded as expenditures in the governmental or activity funds and capitalized at cost in the General Fixed Assets Account Group. Donated general fixed assets are stated at estimated fair market value as of the date of acquisition. Depreciation accounting is not considered applicable (except to determine the per capita tuition charge).

(g) Fund Balance Reporting

In accordance with Government Accounting Standards, fund balances are classified into five major classifications; Nonspendable Fund Balance,

HIGHLAND COMMUNITY UNIT SCHOOL DISTRICT NO. 5
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Restricted Fund Balance, Committed Fund Balance, Assigned Fund Balance, and Unassigned Fund Balance. The Regulatory Model, followed by the District, only reports Reserved and Unreserved Fund Balances. Below are definitions of the differences and a reconciliation of how these balances are reported.

A. Nonspendable Fund Balance

The nonspendable fund balance classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash, for example inventories and prepaid amounts. The District does not have any items to report in this classification.

B. Restricted Fund Balance

The restricted fund balance classification refers to amounts that are subject to outside restrictions not controlled by the entity. Things such as restrictions imposed by creditors, grantors, contributors, or laws and regulations of other governments, or imposed by law through constitutional provisions or enabling legislation. Special Revenue Funds are by definition restricted for those specified purposes. The District has several revenue sources received within different funds that also fall into these categories.

- 1) Special Education - Revenues and the related expenditures of this restricted tax levy are accounting for in the Educational Fund. Expenditures exceeded revenue for this purpose, resulting in no restricted fund balance.
- 2) Social Security/Municipal Retirement - Expenditures and the related revenues of these restricted tax levies are accounted for in the Municipal Retirement/Social Security Fund. Revenue for Social Security exceeded expenditures for this purpose, resulting in a restricted fund balance of \$517,495. This balance is included in the financial statements as reserved in the Municipal Retirement/Social Security Fund.
- 3) Federal Grants - Proceeds from federal grants and the related expenditures have been included in the Educational Fund. At June 30, 2018, expenditures disbursed on federal grants exceeded the revenue received for those specific purposes, resulting in no restricted balance in the Educational Fund.

HIGHLAND COMMUNITY UNIT SCHOOL DISTRICT NO. 5
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

C. Committed Fund Balance

The committed fund balance classification refers to amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision making authority (the School Board). Those committed amounts cannot be used for any other purpose unless the government removes or changes the specified use by taking the same type of formal action it employed to previously commit those amounts.

The School Board commits fund balance by making motions or passing resolutions to adopt policy or to approve contracts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for satisfying those contractual requirements.

D. Assigned Fund Balance

The assigned fund balance classification refers to amounts that are constrained by the government's intent to be used for a specific purpose, but are neither restricted nor committed. Intent may be expressed by (a) the School Board itself or (b) the finance committee or by the Superintendent when the School Board has delegated the authority to assign amounts to be used for specific purposes.

E. Unassigned Fund Balance

The unassigned fund balance classification is the residual classification for amounts in the General Operating Funds for amounts that have not been restricted, committed, or assigned to specific purposes within the General Funds. Unassigned fund balance amounts are reported in the financial statements as unreserved fund balances in the Educational, Operations and Maintenance, and Working Cash Funds.

F. Regulatory – Fund Balance Definitions

Reserved Fund Balances are those balances that are reserved for a specified purpose, other than the regular purpose of any given fund. Unreserved fund balances are all balances that are not reserved for a specific purpose other than the specified purpose of a fund.

G. Reconciliation of Fund Balance Reporting

The first five columns of the following table represent Fund Balance Reporting according to generally accepted accounting principles. The last two columns represent Fund Balance Reporting under the regulatory basis of accounting utilized in preparation of the financial statements.

HIGHLAND COMMUNITY UNIT SCHOOL DISTRICT NO. 5
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Fund	Generally Accepted Accounting Principles					Regulatory Basis	
	Nonspendable	Restricted	Committed	Assigned	Unassigned	Financial Statements-Reserved	Financial Statements-Unreserved
Education	\$ -	\$ -	\$ -	\$ -	\$ 209,858	\$ -	\$ 209,858
Operations & Maintenance	-	-	-	-	862,512	-	862,512
Debt Service	-	167,348	-	-	-	-	167,348
Transportation	-	449,490	-	-	-	-	449,490
IMRF/							
Social Security	-	1,091,968	-	-	-	517,495	574,473
Capital Projects		1,035,971					1,035,971
Working Cash	-	-	-	-	5,294,862	-	5,294,862
Tort Liability	-	1,192,967	-	-	-	-	1,192,967
Fire Prevention and Safety	-	-	-	-	359,062	-	359,062
	<u>\$ -</u>	<u>\$ 3,937,744</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,726,294</u>	<u>\$ 517,495</u>	<u>\$ 10,146,543</u>

NOTE 2: CASH AND INVESTMENTS

At June 30, 2018, the carrying amount of the District's deposits was \$14,528,884 and the bank balance was \$15,274,656. The deposits were comprised of NOW accounts and certificates of deposit that were either insured by FDIC coverage or collateralized by the pledging bank's trust department in the District's name.

NOTE 3: GENERAL FIXED ASSETS

A summary of changes in general fixed assets is as follows:

	Balance July 1, 2017	Additions	Deletions	Balance June 30, 2018
Land	\$ 629,698	\$ -	\$ -	\$ 629,698
Land Improvements	735,383	53,816	17,594	771,605
Buildings and Improvements	53,322,130	2,442,599	-	55,764,729
Transportation Equipment	30,000	-	-	30,000
Other Equipment	<u>3,015,689</u>	<u>756,007</u>	<u>259,180</u>	<u>3,512,516</u>
Total	<u>\$ 57,732,900</u>	<u>\$ 3,252,422</u>	<u>\$ 276,774</u>	<u>\$ 60,708,548</u>

The District capitalizes all capital outlay additions over \$500 that have a life in excess of one year. Depreciation accounting is not considered applicable (except to determine the per capita tuition charge). For purposes of the per capita tuition charge, depreciation expense is calculated using the straight line method and is \$1,354,998 for the year ended June 30, 2018. Total accumulated depreciation as of June 30, 2018 is \$17,301,496.

HIGHLAND COMMUNITY UNIT SCHOOL DISTRICT NO. 5
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE 4: PROPERTY TAXES

The District's property tax is levied each year on all taxable real property located in the District on or before the last Tuesday in December. The Board passed the 2017 levy on December 18, 2017. Property taxes attach as an enforceable lien on property as of January 1 and are payable in four installments. The District receives significant distributions of tax receipts beginning in June and July of each year. Property taxes recorded in these financial statements are from the 2016 and prior tax levies.

The following are the tax rate limits permitted by the Illinois School Code and by local referendum and the actual rates levied per \$100 of assessed valuation:

	Tax Levy Year		
	<u>2017</u>	<u>2016</u>	<u>2015</u>
Assessed Valuation	<u>\$ 378,729,007</u>	<u>\$ 371,374,822</u>	<u>\$ 364,372,434</u>
Tax Extensions by Levy:			
Educational	\$ 8,900,132	\$ 8,727,308	\$ 8,562,752
Operations and Maintenance	1,893,645	1,856,874	1,821,862
Bond and Interest	3,970,475	3,936,263	3,903,810
Transportation	757,458	742,750	728,745
Municipal Retirement	590,060	588,629	588,571
Social Security	443,870	442,679	442,567
Working Cash	189,365	185,687	182,186
Tort Immunity	1,103,616	1,101,498	1,101,826
Special Education	151,492	148,550	145,749
Fire Prevention and Safety	189,365	185,687	182,186
Lease	<u>189,365</u>	<u>185,687</u>	<u>182,186</u>
Total	<u>\$ 18,378,843</u>	<u>\$ 18,101,612</u>	<u>\$ 17,842,440</u>
	Tax Levy Year		
	<u>2017</u>	<u>2016</u>	<u>2015</u>
Tax Collections:			
Year Ended June 30:			
2016	\$ -	\$ -	\$ 1,165,324
2017	-	1,058,027	16,642,407
2018	<u>919,847</u>	<u>17,009,446</u>	<u>-</u>
Total	<u>\$ 919,847</u>	<u>\$ 18,067,473</u>	<u>\$ 17,807,731</u>
Percent of Total Levy Collected	<u>5.00%</u>	<u>99.81%</u>	<u>99.81%</u>

HIGHLAND COMMUNITY UNIT SCHOOL DISTRICT NO. 5
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE 5: RETIREMENT FUND COMMITMENTS

(a) Teachers Retirement System of the State of Illinois

Plan description

The employer participates in the Teachers' Retirement System of the State of Illinois (TRS). TRS is a cost-sharing multiple-employer defined benefit pension plan that was created by the Illinois legislature for the benefit of Illinois public school teachers employed outside the city of Chicago. TRS members include all active non annuitants who are employed by a TRS-covered employer to provide services for which teacher licensure is required. The Illinois Pension Code outlines the benefit provisions of TRS, and amendments to the plan can be made only by legislative action with the Governor's approval. The TRS Board of Trustees is responsible for the System's administration.

TRS issues a publicly available financial report that can be obtained at <http://trsil.org/financial/cafrs/fy2017>; by writing to TRS at 2815 W. Washington, PO Box 19253, Springfield, IL 62794; or by calling (888) 678-3675, option 2.

Benefits provided

TRS provides retirement, disability, and death benefits. Tier I members have TRS or reciprocal system service prior to January 1, 2011. Tier I members qualify for retirement benefits at age 62 with five years of service, at age 60 with 10 years, or age 55 with 20 years. The benefit is determined by the average of the four highest years of creditable earnings within the last 10 years of creditable service and the percentage of average salary to which the member is entitled. Most members retire under a formula that provides 2.2 percent of final average salary up to a maximum of 75 percent with 34 years of service. Disability and death benefits are also provided.

Tier II members qualify for retirement benefits at age 67 with 10 years of service, or a discounted annuity can be paid at age 62 with 10 years of service. Creditable earnings for retirement purposes are capped and the final average salary is based on the highest consecutive eight years of creditable service rather than the last four. Disability provisions for Tier II are identical to those of Tier I. Death benefits are payable under a formula that is different from Tier I.

Essentially all Tier I retirees receive an annual 3 percent increase in the current retirement benefit beginning January 1 following the attainment of age 61 or on January 1 following the member's first anniversary in retirement, whichever is later. Tier II annual increases will be the lesser of three percent of the original benefit or one-half percent of the rate of inflation beginning January 1 following attainment of age 67 or on January 1 following the member's first anniversary in retirement, whichever is later.

Public Act 100-0023, enacted in 2017, creates an additional Tier 3 hybrid retirement plan, but it has not yet gone into effect. The earliest possible implementation date is July 1, 2019.

HIGHLAND COMMUNITY UNIT SCHOOL DISTRICT NO. 5
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Contributions

The State of Illinois maintains the primary responsibility for funding TRS. The Illinois Pension Code, as amended by Public Act 88-0593 and subsequent acts, provides that for years 2010 through 2045, the minimum contribution to the System for each fiscal year shall be an amount determined to be sufficient to bring the total assets of the System up to 90 percent of the total actuarial liabilities of the System by the end of fiscal year 2045.

Contributions from active members and TRS contributing employers are also required by the Illinois Pension Code. The contribution rates are specified in the pension code. The active member contribution rate for the year ended June 30, 2017, was 9.0 percent of creditable earnings. The member contribution, which may be paid on behalf of employees by the employer, is submitted to TRS by the employer.

On behalf contributions to TRS. The State of Illinois makes employer pension contributions on behalf of the employer. For the year ended June 30, 2018, State of Illinois contributions recognized by the employer were based on the state's proportionate share of the collective net pension liability associated with the employer, and the employer recognized revenue and expenditures of \$9,287,974 in pension contributions from the State of Illinois.

2.2 formula contributions. Employers contribute 0.58 percent of total creditable earnings for the 2.2 formula change. The contribution rate is specified by statute. Contributions for the year ended June 30, 2018, were \$76,082.

Federal and special trust fund contributions. When TRS members are paid from federal and special trust funds administered by the employer, there is a statutory requirement for the employer to pay an employer pension contribution from those funds. Under Public Act 100-0340, the federal and special trust fund contribution rate is the total employer normal cost beginning with the year ended June 30, 2018.

Previously, employer contributions for employees paid from federal and special trust funds were at the same rate as the state contribution rate to TRS and were much higher.

For the year ended June 30, 2018, the employer pension contribution was 10.10 percent of salaries paid from federal and special trust funds. For the year ended June 30, 2018, salaries totaling \$227,282 were paid from federal and special trust funds that required employer contributions of \$22,955.

Employer retirement cost contributions. Under GASB Statement No. 68, contributions that an employer is required to pay because of a TRS member retiring are categorized as specific liability payments. The employer is required to make a one-time contribution to TRS for members retiring under the Early

HIGHLAND COMMUNITY UNIT SCHOOL DISTRICT NO. 5
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Retirement Option (ERO). The payments vary depending on the member's age and salary. The maximum employer ERO contribution under the program that ended on June 30, 2016 is 146.5 percent and applies when the member is age 55 at retirement. For the year ended June 30, 2018, the District did not make any payments to TRS for employer ERO contributions for retirements that occurred before July 1, 2016.

The employer is also required to make a one-time contribution to TRS for members granted salary increases over 6 percent if those salaries are used to calculate a retiree's final average salary. A one-time contribution is also required for members granted sick leave days in excess of the normal annual allotment if those days are used as TRS service credit. For the year ended June 30, 2018, the District paid \$788 to TRS for employer contributions due on salary increases in excess of 6 percent and \$100,957 for sick leave days granted in excess of the normal annual allotment.

Pension Liabilities and Pension Expense

At June 30, 2018, the employer reported a liability for its proportionate share of the net pension liability (first amount shown below) that reflected a reduction for state pension support provided to the employer. The state's support and total are for disclosure purposes only. The amount recognized by the employer as its proportionate share of the net pension liability, the related state support, and the total portion of the net pension liability that was associated with the employer were as follows:

Employer's proportionate share of the net pension liability	\$ 2,667,779
State's proportionate share of the net pension liability associated with the employer	<u>94,375,392</u>
Total	<u>\$ 97,043,171</u>

The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2016, and rolled forward to June 30, 2017. The employer's proportion of the net pension liability was based on the employer's share of contributions to TRS for the measurement year ended June 30, 2017, relative to the projected contributions of all participating TRS employers and the state during that period. At June 30, 2017, the employer's proportion was .003491 percent, which was a decrease of .000215 percent from its proportion measured as of June 30, 2016.

Actuarial assumptions

The total pension liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

HIGHLAND COMMUNITY UNIT SCHOOL DISTRICT NO. 5
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Inflation	2.50 percent
Salary increases	varies by amount of service credit
Investment rate of return	7.00 percent, net of pension plan investment expense, including inflation

Mortality rates were based on the RP-2014 White Collar Table with adjustments as appropriate for TRS experience. The rates are used on a fully-generational basis using projection table MP-2014. The same assumptions were used in the June 30, 2016 actuarial valuation.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class that were used by the actuary are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
U.S. equities large cap	14.40%	6.94%
U.S. equities small/mid cap	3.60%	8.09%
International equities developed	14.40%	7.46%
Emerging market equities	3.60%	10.15%
U.S. bonds core	10.70%	2.44%
International debt developed	5.30%	1.70%
Real estate	15.00%	5.44%
Commodities (real return)	11.00%	4.28%
Hedge funds (absolute return)	8.00%	4.16%
Private equity	14.00%	10.63%
Total	100.00%	

Discount rate

At June 30, 2017, the discount rate used to measure the total pension liability was 7.0 percent, which was a change from the June 30, 2016 rate of 6.83 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions, employer contributions, and state contributions will be made at the current statutorily-required rates.

Based on those assumptions, TRS's fiduciary net position at June 30, 2017 was projected to be available to make all projected future benefit payments of current active and inactive members and all benefit recipients. Tier I's liability is partially-funded by Tier II members, as the Tier II member contribution is higher than the cost of Tier II benefits. Due to this subsidy, contributions from future members in excess of the service cost are also included in the determination of the discount rate. All projected future payments were covered, so the long-term

HIGHLAND COMMUNITY UNIT SCHOOL DISTRICT NO. 5
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

expected rate of return on TRS investments was applied to all periods of projected benefit payments to determine the total pension liability.

At June 30, 2016, the discount rate used to measure the total pension liability was 6.83 percent. The discount rate was lower than the actuarially-assumed rate of return on investments that year because TRS's fiduciary net position and the subsidy provided by Tier II were not sufficient to cover all projected benefit payments.

Sensitivity of the employer's proportionate share of the net pension liability to changes in the discount rate

The following presents the employer's proportionate share of the net pension liability calculated using the discount rate of 7.0 percent, as well as what the employer's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.00 percent) or 1-percentage-point higher (8.00 percent) than the current rate.

	1% Decrease	Current	1% Increase
	6.00%	Discount Rate 7.00%	8.00%
Employer's proportionate share of the net pension liability	\$ 3,277,715	\$ 2,667,779	\$2,168,190

TRS fiduciary net position

Detailed information about the TRS's fiduciary net position as of June 30, 2017 is available in the separately issued TRS *Comprehensive Annual Financial Report*.

(b) Illinois Municipal Retirement Fund

Plan Description. The District's defined benefit pension plan for regular employees provides retirement and disability benefits, post retirement increases, and death benefits to plan members and beneficiaries. The District's plan is managed by the Illinois Municipal Retirement Fund (IMRF), the administrator of a multiple-employer public pension fund. A summary of IMRF's pension benefits is provided in the "Benefits Provided" section of this document. Details of all benefits are available from IMRF. Benefit provisions are established by statute and may only be changed by the General Assembly of the State of Illinois. IMRF issues a publicly available Comprehensive Annual Financial Report that includes financial statements, detailed information about the pension plan's fiduciary net position and required supplementary information. The report is available for download at www.imrf.org.

Benefits Provided. IMRF has three benefit plans. The vast majority of IMRF members participate in the Regular Plan (RP). The Sheriff's Law Enforcement Personnel (SLEP) plan is for sheriffs, deputy sheriffs and selected police chiefs. Counties could adopt the Elected County Official (ECO) plan for officials elected

HIGHLAND COMMUNITY UNIT SCHOOL DISTRICT NO. 5
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

prior to August 8, 2011 (the ECO plan was closed to new participants after that date).

All three IMRF benefit plans have two tiers. Employees hired before January 1, 2011 are eligible for Tier 1 benefits. Tier 1 employees are vested for pension benefits when they have at least eight years of qualifying service credit. Tier 1 employees who retire at age 55 (at reduced benefits) or after age 60 (at full benefits) with eight years of service credit are entitled to an annual retirement benefit, payable monthly for life, in an amount equal to 1-2/3% of the final rate of earnings for the first 15 years of service credit, plus 2% for each year of service credit after 15 years to a maximum of 75% of their final rate of earnings. Final rate of earnings is the highest total earnings during any consecutive 48 months within the last 10 years of service, divided by 48. Under Tier 1, the pension is increased by 3% of the original amount on January 1 every year after retirement.

Employees hired on or after January 1, 2011, are eligible for Tier 2 benefits. For Tier 2 employees, pension benefits vest after ten years of service. Participating employees who retire at age 62 (at reduced benefits) or after age 67 (at full benefits) with ten years of service are entitled to an annual retirement benefit, payable monthly for life, in an amount equal to 1-2/3% of the final rate of earnings for the first 15 years of service credit, plus 2% for each year of service credit after 15 years to a maximum of 75% of their final rate of earnings. Final rate of earnings is the highest total earnings during any 96 consecutive months within the last 10 years of service, divided by 96. Under Tier 2, the pension is increased on January 1 every year after retirement, upon reaching age 67, by the *lesser* of: 3% of the original pension amount, or 1/2 of the increase in the Consumer Price Index of the original pension amount.

Employees Covered by Benefit Terms. As of December 31, 2016, the following employees were covered by the benefit terms:

Retirees and Beneficiaries	97
Inactive, non-Retired Members	106
Active Members	<u>113</u>
Total	<u>316</u>

Contributions. As set by statute, the Employer's Regular Plan Members are required to contribute 4.50% of their annual covered salary. The statute requires employers to contribute the amount necessary, in addition to member contributions, to finance the retirement coverage of its own employees. The Employer's annual contribution rate for calendar year 2017 was 14.25 percent. For the calendar year 2017 the Employer contributed \$435,814 to the plan. The Employer also contributes for disability benefits, death benefits and supplemental retirement benefits, all of which are pooled at the IMRF level. Contribution rates for disability and death benefits are set by the IMRF Board of Trustees, while the supplemental retirement benefits rate is set by statute.

HIGHLAND COMMUNITY UNIT SCHOOL DISTRICT NO. 5
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Net Pension Liability. The Employer's net pension liability was measured as of December 31, 2017. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

Actuarial Assumptions. The following are the methods and assumptions used to determine pension liability at December 31, 2017:

Actuarial Cost Method	Aggregate Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	26 year closed period
	Early Retirement Incentive Plan liabilities: a period up to 10 years selected by the Employer upon adoption of ERI.
Asset Valuation Method	5-Year smoothed market; 20% corridor
Wage growth	3.50%
Price Inflation	2.75% - approximate; No explicit price inflation assumption is used in this valuation.
Salary Increases	3.75% to 14.50% including inflation
Investment Rate of Return	7.50%
Retirement Age	Experience-based table of rates that are specific to the type of eligibility condition. Last updated for the 2014 valuation pursuant to an experience study of the period 2011-2013.
Mortality	For non-disabled retirees, an IMRF specific mortality table was used with fully generational projection scale MP-2014 (base year 2012). The IMRF specific rates were developed from the RP-2014 Blue Collar Health Annuitant Mortality Table with adjustments to match current IMRF experience. For disabled retirees, an IMRF specific mortality table was used with fully generational projection scale MP-2014 (base year 2012). The IMRF specific rates were developed from the RP-2014 Disabled Retirees Mortality Table applying the same adjustments that were applied for non-disabled lives. For active members, an IMRF specific mortality table was used with fully generational projection scale MP-2014 (base year 2012). The IMRF specific rates were developed from the RP-2014 Employee Mortality Table with adjustments to match current IMRF experience.

Other Information

There were no benefit changes during the year.

Long-term Expected Rate of Return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return to the target asset allocation percentage and adding expected inflation.

HIGHLAND COMMUNITY UNIT SCHOOL DISTRICT NO. 5
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table as of December 31, 2015:

<u>Asset Class</u>	<u>Portfolio Target Percentage</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic Equity	38%	7.39%
International Equity	17%	7.59%
Fixed Income	27%	3.00%
Real Estate	8%	6.00%
Alternative Investments	9%	2.75-8.15%
Cash Equivalents	<u>1%</u>	2.25%
Total	100%	

The Single Discount Rate (SDR) of 7.50% was used to measure the total pension liability. The projection of the cash flow used to determine this Single Discount Rate assumed that the plan members' contributions will be made at the current contribution rate, and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. The SDR reflects (1) the long-term expected rate of return on pension plan investments (during the period in which the fiduciary net position is projected to be sufficient to pay benefits), and (2) tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating (which is published by the Federal Reserve) as of the measurement date (to the extent that the contributions for use with the long-term expected rate of return are not met).

For the purpose of this valuation, the expected rate of return on plan investments is 7.50%; the municipal bond rate is 3.31%; and the resulting single discount rate is 7.50%.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate The following presents the plan's net pension liability, calculated using a Single Discount Rate of 7.46%, as well as what the plan's net pension liability would be if it were calculated using a Single Discount Rate that is 1% lower or 1% higher.

	1% Decrease <u>6.50%</u>	Current Single Discount Rate Assumption <u>7.50%</u>	1% Increase <u>8.50%</u>
Total Pension Liability	\$ 20,220,022	\$ 18,161,920	\$ 16,433,746
Plan Fiduciary Net Position	<u>17,424,179</u>	<u>17,424,179</u>	<u>17,424,179</u>
Net Pension Liability/(Asset)	<u>\$ 2,795,843</u>	<u>\$ 737,741</u>	<u>\$ (990,433)</u>

HIGHLAND COMMUNITY UNIT SCHOOL DISTRICT NO. 5
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Net Pension Liability. The following is a summary of the Net Pension Liability as disclosed in the financial statements.

Changes in the Net Pension Liability	Total Pension Liability (A)	Plan Fiduciary Net Position (B)	Net Pension Liability (A)-(B)
Balances at December 31, 2016	\$ 18,060,870	\$ 15,179,824	\$ 2,881,046
Changes for the year:			
Service Cost	346,734	-	346,734
Interest on the Total Pension Liability	1,333,053	-	1,333,053
Changes in Benefit Terms	-	-	-
Differences between Expected and Actual Experience of the Total Pension Liability	(133,470)	-	(133,470)
Changes of Assumptions	(524,879)	-	(524,879)
Contributions - Employer	-	655,815	(655,815)
Contributions - Employees	-	137,626	(137,626)
Net Investment Income	-	2,718,144	(2,718,144)
Benefit Payments, including Refunds of Employee Contributions	(920,388)	(920,388)	-
Other (Net Transfer)	-	(346,842)	346,842
Net Changes	\$ 101,050	\$ 2,244,355	(2,143,305)
Balances at December 31, 2017	\$ 18,161,920	\$ 17,424,179	\$ 737,741

Actuarial Assumptions. The following are the actuarial assumptions used in the calculation of the net pension liability.

Actuarial Valuation Date	12/31/17
Measurement Date of the Net Pension Liability	12/31/17
Fiscal Year End	06/30/18
Development of the Single Discount Rate as of December 31, 2017	
Long-Term Expected Rate of Investment Return	7.50%
Long-Term Municipal Bond Rate	3.31%
Last year ending December 31 in the 2018 to 2117 projection period for which projected benefit payments are fully funded	2116
Resulting Single Discount Rate based on the above development	7.50%
Single Discount Rate calculated using December 31, 2016 Measurement Date	7.50%

The Long-Term Municipal Bond Rate is based on the Fidelity Index's "20-Year Municipal GO AA Index" as of December 29, 2017.

HIGHLAND COMMUNITY UNIT SCHOOL DISTRICT NO. 5
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(c) Social Security

Employees not qualifying for coverage under the State of Illinois Teachers' Retirement System are covered by Social Security. The District paid \$432,434, the total required contribution for the current fiscal year.

NOTE 6: INTERFUND TRANSFERS

Interfund transfers for the year ending June 30, 2018 are as follows:

Debt Services Fund	Educational Fund	\$	1,828
Capital Projects Fund	Oper. & Maint. Fund		44,359

NOTE 7: BONDS AND LEASES PAYABLE

The following is a summary of debt transactions of the District for the year ended June 30, 2018:

	<u>Bonds Payable</u>
Payable, July 1, 2017	\$ 22,000,000
Issued During Year	5,474,217
Retirements During Year	(3,075,000)
Refunded During Year	<u>-</u>
Payable, June 30, 2018	<u>\$ 24,399,217</u>

As of June 30, 2018, the District has the following general obligation bond requirements:

General Obligation Refunding Bonds Series 2005A, dated March 22, 2005 provides for the retirement of principal in one final payment of \$1,980,000 on February 1, 2019. Interest is payable on February 1 and August 1 of each year at the rate of 5.00%.

\$ 1,980,000

General Obligation Refunding Bonds Series 2012, dated March 6, 2012 provides for the annual retirement of principal at the rate of \$285,000 to \$1,990,000. Interest is payable on August 1 and February 1 of each year at the rate of 2.75% to 3.00%. This issue advance refunded the Series 2002A bond issue.

\$ 2,275,000

HIGHLAND COMMUNITY UNIT SCHOOL DISTRICT NO. 5
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Taxable General Obligation Working Cash Bonds, Series 2013A, dated June 28, 2013 provides for the annual retirement of principal at the rate of \$125,000 to \$600,000. Interest is payable on February 1 and August 1 of each year at the rate of 2.65% to 3.25%. \$ 905,000

General Obligation Refunding Bonds Series 2013B, dated June 28, 2013 provides for the annual retirement of principal at the rate of \$220,000 to \$2,250,000. Interest is payable on February 1 and August 1 of each year at the rate of 4.00%. This issue advance refunded a portion of the Series 2005B bond issue. \$ 4,470,000

General Obligation School Bonds, Series 2015, dated April 22, 2015 provides for the annual retirement of principal at the rate of \$420,000 to \$550,000. Interest is payable on February 1 and August 1 of each year at the rate of 4.00%. This issue advance refunded a portion of the Series 2006 bond issue. \$ 3,865,000

General Obligation School Bonds, Series 2016B, dated April 13, 2016 provides for the annual retirement of principal at the rate of \$200,000 to \$1,400,000. Interest is payable on February 1 and August 1 of each year at the rate of 4.00%. \$ 5,430,000

General Obligation Health Life Safety Bonds Series 2017A, dated August 10, 2017 provides for the annual retirement of principal at the rate of \$635,000 to \$1,130,000. Interest is payable on February 1 and August 1 of each year at the rate of 4.00%. \$ 2,475,000

Taxable General Obligation Working Cash Bonds Series 2017B, dated August 10, 2017 provides for the annual retirement of principal at the rate of \$165,000 to \$1,075,000. Interest is payable on February 1 and August 1 of each year at the rate of 2.15% to 3.26%. \$ 2,999,217

HIGHLAND COMMUNITY UNIT SCHOOL DISTRICT NO. 5
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

The annual requirements to amortize all bonds outstanding at June 30, 2018 are as follows:

Year Ending <u>June 30,</u>	Bond <u>Principal</u>	Bond <u>Interest</u>	<u>Total</u>
2019	3,040,000	930,474	3,970,474
2020	3,215,000	798,642	4,013,642
2021	3,050,000	698,887	3,748,887
2022	2,875,000	580,448	3,455,448
2023	2,415,000	467,785	2,882,785
2024-2027	<u>9,804,217</u>	<u>1,120,529</u>	<u>10,924,746</u>
Total	<u>\$ 24,399,217</u>	<u>\$ 4,596,765</u>	<u>\$ 28,995,982</u>

The computation of legal debt margin at June 30, 2018 is as follows:

Assessed Valuation	<u>\$ 378,729,007</u>
Bonded Debt Limit*	\$ 52,264,603
Bonded Indebtedness	<u>24,399,217</u>
Legal Debt Margin	<u>\$ 27,865,386</u>

The bonded indebtedness of the District is limited by the School Code to 13.8% of the assessed valuation of taxable tangible property for unit districts.

NOTE 8: RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; thefts of, damage to and destruction of assets; errors and omissions and natural disasters for which the District carries commercial insurance. There have been no significant reductions in coverage from the prior year and settlements have not exceeded coverages in the past three years.

NOTE 9: POSTEMPLOYMENT HEALTHCARE PLAN

The District participates in the Teacher Health Insurance Security (THIS) Fund, a cost-sharing, multiple-employer defined benefit postemployment healthcare plan that covers retired employees of participating school districts throughout the State of Illinois, excluding the Chicago Public School System. The THIS Fund provides medical, prescription, and behavioral health benefits, but it does not provide vision, dental or life insurance benefits to annuitants of the Teachers' Retirement System (TRS). Annuitants not enrolled in Medicare may participate in the state-administered participating provider option plan or choose from several managed care options.

HIGHLAND COMMUNITY UNIT SCHOOL DISTRICT NO. 5
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

The State Employees Group Insurance Act of 1971 (5 ILCS 375) outlines the benefit provisions of THIS Fund and amendments to the plan can be made only by legislative action with the Governor's approval. The plan is administered by Illinois Department of Central Management Services (CMS) with the cooperation of TRS. Section 6.6 of the State Employees Group Insurance Act of 1971 requires all active contributors to TRS who are not employees of the state to make a contribution to THIS Fund.

The percentage of employer required contributions in the future will not exceed 105 percent of the percentage of salary actually required to be paid in the previous fiscal year.

The District makes contributions to THIS Fund. The District THIS Fund contribution was 0.88 percent during the year ended June 30, 2018. For the year ended June 30, 2018, the District paid \$115,435 to the THIS Fund, which was 100 percent of the required contribution.

The Employee also makes contributions to THIS Fund. The employee contribution was 1.18 percent of creditable earnings during the year ended June 30, 2018. For the year ended June 30, 2018, the District employees paid \$154,788 to the THIS Fund, which was 100 percent of the required contribution.

In addition, under the State Pension Funds Continuing Appropriations Act (40 ILCS 15/1.3), there is appropriated, on a continual annual basis, from the General Revenue Fund, to the State Comptroller for deposit in the Teacher's Health Insurance Security Fund, an amount equal to the amount certified by the Board of Trustees of TRS as the estimated amount of contributions to be paid under 5 ILCS 376/6.6(a) in that fiscal year.

The ending total proportionate OPEB liability of the District is \$14,927,963 as of June 30, 2017. This amount decreased from \$15,783,479 at the end of the prior year.

The publicly available financial report of the THIS Fund may be found on the website of the Illinois Auditor General: <http://www.auditor.illinois.gov/Audit-Reports/ABC-List.asp>. The current reports are listed under "Central Management Services." Prior reports are available under "Healthcare and Family Services."

NOTE 10: SUBSEQUENT EVENTS

The District has evaluated events occurring after the financial statement date through September 25, 2018 in order to determine their potential for recognition or disclosure in the financial statements. The latter date is the same date the financial statements were available to be issued.

HIGHLAND COMMUNITY UNIT SCHOOL DISTRICT NO. 5

STATEMENT OF ASSETS AND
LIABILITIES ARISING FROM MODIFIED ACCRUAL TRANSACTIONS
ACTIVITY FUNDS
FOR THE YEAR ENDED JUNE 30, 2018

ASSETS

Cash and Investments	\$ 530,403
Other Receivables	<u>19,902</u>
	<u>\$ 550,305</u>

LIABILITIES AND FUND BALANCE

Due to Activity Fund Organizations	\$ 550,305
Total Liabilities	<u>550,305</u>
Fund Balance	<u>-</u>
	<u>\$ 550,305</u>

HIGHLAND COMMUNITY UNIT SCHOOL DISTRICT NO. 5

**SCHEDULE OF PER CAPITA TUITION CHARGE
AND AVERAGE DAILY ATTENDANCE
(UNAUDITED)**

<u>June 30,</u>	<u>Per Capita Tuition</u>	<u>Allowable Expenses</u>	<u>Average Daily Attendance</u>
2009	\$ 7,827	\$ 22,542,692	2,880.00
2010	7,843	22,588,937	2,880.22
2011	7,218	20,789,306	2,880.39
2012	7,461	21,422,136	2,871.18
2013	7,703	22,063,891	2,864.45
2014	7,374	21,019,662	2,850.40
2015	7,504	20,750,826	2,765.33
2016	7,537	20,469,318	2,715.80
2017	7,700	20,610,592	2,676.64
2018	7,899	20,969,401	2,654.77

ANNUAL FEDERAL FINANCIAL COMPLIANCE REPORT (COVER SHEET)
DISTRICT/JOINT AGREEMENT
Year Ending June 30, 2018

DISTRICT/JOINT AGREEMENT NAME Highland Community Unit School District	RCDT NUMBER 41-057-0050-26	CPA FIRM 9-DIGIT STATE REGISTRATION NUMBER 066-003590	
ADMINISTRATIVE AGENT IF JOINT AGREEMENT (as applicable) Michael S. Sutton		NAME AND ADDRESS OF AUDIT FIRM C.J. Schlosser & Company, LLC 233 East Center Drive Alton	
ADDRESS OF AUDITED ENTITY (Street and/or P.O. Box, City, State, Zip Code) 400 Broadway Highland 62249		E-MAIL ADDRESS: ktepen@cjsco.com	
		NAME OF AUDIT SUPERVISOR Kevin J Tepen	
		CPA FIRM TELEPHONE NUMBER 618-465-7717	FAX NUMBER 618-465-7710

THE FOLLOWING INFORMATION MUST BE INCLUDED IN THE SINGLE AUDIT REPORT:

- ☐ A copy of the CPA firm's most recent peer review report and acceptance letter has been submitted to ISBE (either with the audit or under separate cover).
- ☐ Financial Statements including footnotes (Title 2 CFR §200.510 (a))
- ☐ Schedule of Expenditures of Federal Awards including footnotes (Title 2 CFR §200.510 (b))
- ☐ Independent Auditor's Report on the Financial Statements (Title 2 CFR §200.515 (a))
- ☐ Independent Auditor's Report on Internal Control Over Financial Reporting and Compliance Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards* (Title 2 CFR §200.515 (b))
- ☐ Independent Auditor's Report on Compliance for Each Major Federal Program and on Internal Control Over Compliance Required by Uniform Guidance (Title 2 CFR §200.515 (c))
- ☐ Schedule of Findings and Questioned Costs (Title 2 CFR §200.515 (d))
- ☐ Summary Schedule of Prior Audit Findings (Title 2 CFR §200.511 (b))
- ☐ Corrective Action Plan on LEA letterhead (Title 2 CFR §200.511 (c))

THE FOLLOWING INFORMATION IS HIGHLY RECOMMENDED TO BE INCLUDED:

- ☐ A Copy of the Federal Data Collection Form (Title 2 CFR §200.512 (b))
- ☐ A Copy of each Management Letter

Note: IF THE PAPER COPY OF THE AFR IS NOT THE SAME AS THE ELECTRONIC VERSION, PLEASE NOTIFY - Leslie Clay at lclay@isbe.net

Highland Community Unit School District No 5
41-057-0050-26
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ending June 30, 2018

Federal Grantor/Pass-Through Grantor	CFDA Number ² (A)	ISBE Project # (1st 8 digits) or Contract # ³ (B)	Receipts/Revenues		Expenditure/Disbursements ⁴				Obligations/ Encumb. (G)	Final Status (E)+(F)+(G) (H)	Budget (I)
			Year 7/1/16-6/30/17 (C)	Year 7/1/17-6/30/18 (D)	Year 7/1/16-6/30/17 (E)	Year 7/1/16-6/30/17 Pass through to Subrecipients	Year 7/1/17-6/30/18 (F)	Year 7/1/17-6/30/18 Pass through to Subrecipients			
US Department of Education											
Passed Through ISBE											
Title I - Low Income	84.010A	18-4300-00		299,087			299,087			299,087	333,286
Title I - Low Income	84.010A	17-4300-00	256,215		256,215					256,215	302,781
Title II - Teacher Quality	84.367A	18-4932-00		59,365			59,365			59,365	88,543
Title II - Teacher Quality	84.367A	17-4932-00	41,559		41,559					41,559	58,547
Special Education Cluster (M)											
IDEA Room and Board	84.027A	18-4625-00		107,677			107,677			107,677	N/A
IDEA Room and Board	84.027A	17-4625-00	91,141	18,711	91,141		18,711			109,852	N/A
IDEA Room and Board	84.027A	17-4625-XC		12,096			12,096			12,096	N/A
IDEA Flow Through	84.027A	18-4620-00		576,426			576,426			576,426	587,009
IDEA Flow Through	84.027A	17-4620-00	584,946		584,946					584,946	594,657
Pre-School Flow Through	84.173A	18-4600-00		16,776			16,776			16,776	16,994
Pre-School Flow Through	84.173A	17-4600-00	17,832		17,832					17,832	18,692
Passed Through St. Clair County ROE											
Math and Science Area Partnerships	84.3666B	18-4999-00		11,150			11,150			11,150	N/A
Math and Science Area Partnerships	84.3666B	17-4999-00	7,273		7,273					7,273	N/A

- (M) Program was audited as a major program as defined by §200.518.

Highland Community Unit School District No 5
41-057-0050-26

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ending June 30, 2018

Federal Grantor/Pass-Through Grantor Program or Cluster Title and Major Program Designation	CFDA Number ² (A)	ISBE Project # (1st 8 digits) or Contract # ³ (B)	Receipts/Revenues		Expenditure/Disbursements ⁴				Obligations/ Encumb. (G)	Final Status (E)+(F)+(G) (H)	Budget (I)
			Year 7/1/16-6/30/17 (C)	Year 7/1/17-6/30/18 (D)	Year 7/1/16-6/30/17 (E)	Year 7/1/16-6/30/17 Pass through to Subrecipients	Year 7/1/17-6/30/18 (F)	Year 7/1/17-6/30/18 Pass through to Subrecipients			
US Department of Education											
Passed Through Madison County ROE											
Title I - School Improvement & Accountability	84.010A	18-4331		1,813			1,813			1,813	N/A
Title I - School Improvement & Accountability	84.010A	17-4331	4,741		4,741					4,741	N/A
McKinney Education for Homeless Children	84.169A	18-4920-00		0			0			0	N/A
McKinney Education for Homeless Children	84.169A	17-4920-00	1,133		1,133					1,133	N/A
Passed Through Madison County CTE System											
VE - Title III E - Tech Prep	84.048	18-4770-00		19,590			19,590			19,590	N/A
VE - Title III E - Tech Prep	84.048	17-4770-00	18,144		18,144					18,144	N/A
Passed Through Illinois Dept of Human Services											
DORS	84.126	46CWF00060		36,279			36,279			36,279	36,279
DORS	84.126	46CTD00060	23,891		23,891					23,891	23,891
Total US Department of Education			1,046,875	1,158,970	1,046,875		1,158,970			2,205,845	
Department of Health and Human Services											
Passed Through Illinois Dept of Healthcare & Human Services											
Medicaid Outreach	93.778	18-4991-00		44,740			44,740			44,740	N/A
Medicaid Outreach	93.778	17-4991-00	48,797		48,797					48,797	N/A

- (M) Program was audited as a major program as defined by §200.518.

Highland Community Unit School District No 5
41-057-0050-26
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ending June 30, 2018

Federal Grantor/Pass-Through Grantor Program or Cluster Title and Major Program Designation	CFDA Number ² (A)	ISBE Project # (1st 8 digits) or Contract # ³ (B)	Receipts/Revenues		Expenditure/Disbursements ⁴				Obligations/ Encumb. (G)	Final Status (E)+(F)+(G) (H)	Budget (I)
			Year 7/1/16-6/30/17 (C)	Year 7/1/17-6/30/18 (D)	Year 7/1/16-6/30/17 (E)	Year 7/1/16-6/30/17 Pass through to Subrecipients	Year 7/1/17-6/30/18 (F)	Year 7/1/17-6/30/18 Pass through to Subrecipients			
Total Dept of Healthcare & Human Services			48,797	44,740	48,797		44,740			93,537	
US Department of Agriculture (Passed Through ISBE)											
School Lunch Program Cluster (M)											
Regular - Free and Reduced	10.555	18-4210-00		306,233			306,233			306,233	N/A
Regular - Free and Reduced	10.555	17-4210-00	293,643	67,118	293,643		67,118			360,761	N/A
Special School Milk	10.556	18-4215-00		948			948			948	N/A
Special School Milk	10.556	17-4215-00	1,135	174	1,135		174			1,309	N/A
Breakfast	10.553	18-4220-00		64,790			64,790			64,790	N/A
Breakfast	10.553	17-4220-00	62,234	12,828	62,234		12,828			75,062	N/A
Food Distribution Commodities - DOD	10-555	N/A		40,830			40,830			40,830	N/A
Food Distribution Commodities - ISBE	10-555	N/A		43,415			43,415			43,415	N/A
Total US Department of Agriculture			357,012	536,336	357,012		536,336			893,348	
Total Federal Award Program			1,452,684	1,740,046	1,452,684		1,740,046			3,192,730	

43 • (M) Program was audited as a major program as defined by §200.518.

Highland Community Unit School District No 5
41-057-0050-26

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (SEFA)
Year Ending June 30, 2018

Note 1: Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of Highland CUSD #5 and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of the Office of Management and Budget Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Note 2: Indirect Facilities & Administration costs

Auditee elected to use 10% de minimis cost rate? X YES NO

Note 3: Subrecipients

Of the federal expenditures presented in the schedule, no federal awards were provided to subrecipients.

Note 4: Non-Cash Assistance

The following amounts were expended in the form of non-cash assistance and are included in the Schedule of Expenditures of Federal Awards:

NON-CASH COMMODITIES (CFDA 10.555)**:	\$43,415	
OTHER NON-CASH ASSISTANCE - DEPT. OF DEFENSE FRUITS & VEGETABLES	\$40,830	
		Total Non-Cash \$84,245

Note 5: Other Information

Insurance coverage in effect paid with Federal funds during the fiscal year:

Property	None
Auto	None
General Liability	None
Workers Compensation	None
Loans/Loan Guarantees Outstanding at June 30:	None
District had Federal grants requiring matching expenditures	No
	(Yes/No)

Highland Community Unit School District No 5
41-057-0050-26
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ending June 30, 2018

SECTION I - SUMMARY OF AUDITOR'S RESULTS

FINANCIAL STATEMENTS

Type of auditor's report issued: Adverse
(Unmodified, Qualified, Adverse, Disclaimer)

INTERNAL CONTROL OVER FINANCIAL REPORTING:

- Material weakness(es) identified? YES X None Reported
- Significant Deficiency(s) identified that are not considered to be material weakness(es)? YES X None Reported
- Noncompliance material to the financial statements noted? YES X NO

FEDERAL AWARDS

INTERNAL CONTROL OVER MAJOR PROGRAMS:

- Material weakness(es) identified? YES X None Reported
- Significant Deficiency(s) identified that are not considered to be material weakness(es)? YES X None Reported

Type of auditor's report issued on compliance for major programs: Unmodified
(Unmodified, Qualified, Adverse, Disclaimer)

Any audit findings disclosed that are required to be reported in accordance with §200.516 (a)? YES NO

IDENTIFICATION OF MAJOR PROGRAMS:

CFDA NUMBER(S)	NAME OF FEDERAL PROGRAM or CLUSTER	AMOUNT OF FEDERAL PROGRAM
	Special Education Cluster	731,686
	Total Amount Tested as Major	\$731,686

Total Federal Expenditures for 7/1/17-6/30/18

\$1,740,046

% tested as Major

42.05%

Dollar threshold used to distinguish between Type A and Type B programs: \$750,000.00

Auditee qualified as low-risk auditee? YES X NO

Highland Community Unit School District No 5
41-057-0050-26
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ending June 30, 2018

SECTION II - FINANCIAL STATEMENT FINDINGS

1. FINDING NUMBER:

None

2. THIS FINDING IS:

☐

New

☐

Repeat from Prior Year?

Year originally reported? _____

3. Criteria or specific requirement

4. Condition

5. Context

6. Effect

7. Cause

8. Recommendation

9. Management's response

Highland Community Unit School District No 5
41-057-0050-26
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ending June 30, 2018

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

1. FINDING NUMBER:	<u>None</u>	2. THIS FINDING IS:	<input type="checkbox"/>	New	<input type="checkbox"/>	Repeat from Prior year?
					Year originally reported? _____	

3. Federal Program Name and Year: _____

4. Project No.: _____ 5. CFDA No.: _____

6. Passed Through: _____

7. Federal Agency: _____

8. Criteria or specific requirement (including statutory, regulatory, or other citation)

9. Condition

10. Questioned Costs

11. Context

12. Effect

13. Cause

14. Recommendation

15. Management's response

For ISBE Review

Date: _____

Initials: _____

Resolution Criteria Code Number: _____

Disposition of Questioned Costs Code Letter: _____

Highland Community Unit School District No 5
41-057-0050-26
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
Year Ending June 30, 2018

Finding Number

Condition

Current Status

None